



EITC HOT TOPICS

2003 IRS Nationwide Tax Forum



Hot Topic Agenda Items

- IRS Five Point Initiative to Improve EITC Administration
- Taxpayer Advocate's Perspective
- Legal Guidance
- Questions and Answers



IRS Five Point Initiative

“This is a balanced initiative aimed at providing better service to taxpayers and improving the integrity of this important benefit program.”

IRS Commissioner
Mark W. Everson



Compliance Initiatives

- Reduce the backlog of pending EITC examinations to ensure that eligible taxpayers whose returns are being examined receive their refunds quickly.
- Minimize burden and enhance the quality of communications with taxpayers by improving the existing audit process.



Outreach Initiatives

- Encourage eligible taxpayers to claim the EITC by increasing outreach efforts and making the requirements for claiming the credit easier to understand.

Outreach Materials

**All people
eligible for EITC
have seven things
in common:**

General EITC Requirements:

- ✓ Must have earned income
- ✓ Must have a valid Social Security number
- ✓ Cannot file as married filing separately
- ✓ Generally cannot be a nonresident alien
- ✓ Cannot be a qualifying child of another person
- ✓ Cannot be filing Form 2555 or Form 2555-EZ
- ✓ Investment income amount is limited



The Internal Revenue Service

www.irs.gov/eitc

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**It's good to
learn from
your mistakes.
It's even better
to avoid them.**

The four most common EITC filing errors:

- ✗ Claiming a child who's not a qualifying child
- ✗ Married taxpayers who incorrectly file as single or head of household
- ✗ Income-reporting errors
- ✗ Incorrect Social Security numbers



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Task Force Initiatives

- Ensure fairness by refocusing compliance efforts on taxpayers who claimed the credit but were ineligible because their income was too high.
- Pilot a certification effort to substantiate qualifying child residency eligibility for claimants whose returns are associated with a high risk for error.



Five Point Initiative

Taxpayer Advocate's Perspective



Legal Guidance

2002-2003 Guidance Items

- 26 CFR 1.32-2, issued 3/6/03
- Notice 2003-28, 2003-22 IRB 971
(6/2/03)

2003-2004 Priority Guidance Plan



Help is Available

- *Earned Income Credit*, Publication 596
- *Tax Professional Guide*, Publication 3107
- Form 1040 EIC Instructions
- Web: www.irs.gov/eitc
- Practitioner Priority Line: 1-866-860-4259